SGGF

MANAGEMENT CORPORATION

Saskatchewan Government Growth Fund II Ltd

2004 ANNUAL REPORT

Creating economic
wealth and diversification
through investment
of immigrant investor
capital in Saskatchewan

SASKATCHEWAN GOVERNMENT
GROWTH FUND

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FUND PROFILE

Saskatchewan Government Growth Fund II Ltd. ("SGGF II" or the "Fund") is a government-administered venture capital fund pursuant to the Immigration Regulations, 1978 (Canada), as amended. It was formed in 1993 to enable immigrant investors to invest in businesses operating in Saskatchewan and facilitate the investors' qualification as Canadian permanent residents under the Immigrant Investor Program.

FINANCIAL HIGHLIGHTS

- The Fund recorded net income in 2004 of $999,000 and has an accumulated deficit at December 31, 2004 of $8.5 million.
- Net revenue for the year, including net gains realized on disposal of an investment and an adjustment in the fair value of other investments, totalled $1,349,000.
- The Fund currently expects to make payments in 2005 and 2006 of approximately $50,000 to each of the 31 investors who have received no payment at the maturity of their Bonds. The Fund expects that such payments will exhaust all of the financial resources of the Fund and that no further payments to Bondholders will be possible.

MESSAGE TO INVESTORS

The priority of Saskatchewan Government Growth Fund II Ltd. in 2004 was the liquidation of its two remaining investments. Significant progress was made in 2004. The Fund has two remaining investments: Big Sky Farms Inc. ("Big Sky") and Prairie Sulphate Corporation ("PSC").

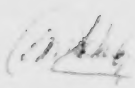
The terms of the Fund's $1.0 million investment in common shares of Big Sky allowed the Fund to require Big Sky to redeem the shares. However, depressed hog prices have affected Big Sky's cash flow. Improved hog markets in 2004 allowed the Fund to reach an agreement with Big Sky whereby it will pay the Fund $2.7 million plus interest until the full amount is repaid. To February 23, 2005, Big Sky has paid the Fund a total of $1.2 million and the balance is expected over the next 18 months.

PSC incurred financial and operational difficulties over the past several years and, in 2004, discontinued its operations. PSC's assets were sold at auction in bankruptcy, and the recovery to the Fund is expected to be nominal.

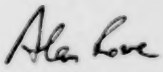
The proceeds of these disposals will be used to pay the senior-ranking liabilities of the Fund and then to make payments to those investors who have not yet received a payment on their Bond. If the assumptions underlying current forecasts prove to be correct, we expect that payments to the 31 Bondholders whose Bonds have matured but who have received no payment will ultimately total approximately $50,000 per Bond, and that payments will commence in the fourth quarter of 2005. The Fund has no sources of revenue other than its two remaining investments, and once all proceeds have been received and paid to investors, there are no other sources of cash from which to make further payments to investors.

Effective January 1, 2004, the Fund adopted new accounting standards which require that investments be recorded at their fair value as at the date of the financial statements. The periodic change in fair value is reflected in the Statement of Operations. Net income of the Fund in 2004 was $999,000, compared with a loss of $641,000 in 2003. The improvement primarily results from the gain recorded to reflect the agreement with respect to the investment in Big Sky. The accumulated deficit of the Fund is $8.5 million at December 31, 2004 (2003 - $9.5 million).

The deficit reflects the performance of the Fund's investments in small and medium-sized enterprises. Such investments were required under the terms of the Federal Immigrant Investor Program and the Offering Memorandum pursuant to which the Bonds were issued. Such investments typically have higher risk than investments in publicly-traded enterprises. Unfortunately, the Fund's investments in this sector performed poorly.



Roland Hardy
Chair



Alan M. Rowe
President

February 23, 2005

INVESTMENT PROFILES

The following are profiles of investments held by SGGF II during 2004, including the principal amount invested at December 31, 2004 and a description of the companies' operations. The date of the initial investment in each company is noted in parentheses.

Big Sky Farms Inc. (January 1996)

$2,053,440 note receivable

Big Sky Farms, headquartered in Humboldt, Saskatchewan, operates a number of farrow-to-finish hog operations in Saskatchewan. These operations are among the largest hog production facilities in western Canada. The Fund exercised its right to have Big Sky repurchase its investment of $1 million in common shares of Big Sky for proceeds of $2.7 million, including the note receivable of $2,053,440. Proceeds, plus interest on the unpaid balance at 10% per annum, are expected to be received in 2005 and 2006.

Prairie Sulphate Corporation (August 1996)

$2,480,894 loans, preferred shares, and common shares

Prairie Sulphate Corporation is located at Alsask, Saskatchewan. The company manufactured potassium sulphate fertilizer, a specialty product used in the care of chloride sensitive plants such as citrus trees, tobacco, and golf course greens. The company experienced financial and operation difficulties and in 2004 was petitioned into bankruptcy. The company's assets were sold at auction and the Fund expects that only nominal proceeds will be received on its investment.

Background

Saskatchewan Government Growth Fund II Ltd. ("SGGF II" or the "Fund") is an immigrant investor fund which operates in accordance with the regulations of the federal Immigrant Investor Program (the "IIP"). The Fund began commercial operations in 1993 when it accepted its first subscription deposits. The Fund is financed by subscriptions received from immigrant investors. The objective of the Fund is to invest at least 70% of the proceeds of subscriptions in eligible businesses in Saskatchewan for a five year period as required by the IIP. This allows the immigrant investor to satisfy the investment requirements of the IIP for a Canadian-resident visa.

Obligations to investors

The Fund's activities are financed by immigrant investors who subscribed for unsecured, subordinated promissory bonds ("Bonds") offered through an Offering Memorandum. The interest rate for the Bonds is 2%. Obligations under the Bonds are subordinate to all other liabilities of the Fund and repayment is dependent on the proceeds on liquidation of investments and all other available liquidity in excess of other liabilities.

The Fund was closed to new subscription applications on May 28, 1995.

At December 31, 2004, obligations to investors were unchanged from 2003 and totalled $8.95 million, comprised of 31 Bonds with a principal balance of $250,000 and 12 Bonds with a remaining principal balance of $100,000.

The Fund has arranged for the disposal of its remaining investments. If the assumptions underlying current forecasts prove to be correct, we expect that payments to the 31 Boldholders whose Bonds have matured but who have received no payment will ultimately total approximately $50,000 per Bond. The Fund has no other resources from which to make any further payments to Bondholders.

Total interest expense on obligations to investors and subscription deposits in 2004 was $196,000, (2003 - $192,000). The Fund will not have sufficient resources to pay this interest.

Investments

The investment policy of the Fund reflects the requirements imposed by both the IIP and the Offering Memorandum. To meet these requirements, the Fund established a target initial investment allocation consisting of:

- a minimum of 70% invested in small and medium-sized enterprises ("SMEs") in Saskatchewan; and
- the balance invested in cash or liquid debt securities.

As investments are divested over time, the actual portfolio mix changes. Investments in SMEs and loans to support infrastructure qualify as "eligible businesses" for purposes of the IIP.

The following table sets out the investments of the Fund by type at December 31 in each year:

	2004			2003		
	No.	$ millions	%	No.	$ millions	%
Other investments						
Small and medium-sized enterprises						
Debt investments	2	2.62	99.2	1	0.57	16.2
Equity investments	1	-	-	2	2.92	83.3
Total	2	2.62	99.2	2	3.49	99.5
Cash and publicly-traded and short-term investments		0.02	0.8		0.02	0.5
		2.64	100.0		3.51	100.0
Adjustment to fair value		(0.59)				
Provision for credit losses					(2.04)	
Carrying value		2.05			1.47	
Fair value		2.05			2.93	

Notes: 1. At January 1, 2004, the Fund changed its accounting policies so that investments are carried at fair value. The method of determining fair value at each financial statement date is described in Note 1 to the Financial Statements. Prior to January 1, 2004, debt investments were carried at cost with appropriate provisions for credit losses and equity investments were carried at the lower of cost and net realizable value.

2. The total number of SME investments represents the total number of companies. In some cases, an investment in both debt and equity instruments of the same company may have been made.

Investment and other income in 2004 totalled $773,000, compared with $21,000 in 2003. Revenue in 2004 was almost entirely derived from the recognition of revenue on the settlement of one of the Fund's investments. A gain realized on an investment during the year, partially offset by the recognition of the fair value of investments held at December 31, 2004, totalled $576,000. In 2003, a provision of $911,000 was recorded for investment losses under the previous basis of accounting. Net revenue in 2004 was $1.3 million, compared with $(890,000) in 2003.

Management

The Fund is managed by the Saskatchewan Government Growth Fund Management Corporation ("SGGF MC") under a contract which provides for a management fee not to exceed 3.0% of the net assets of the Fund. SGGF MC has contracted administration and investment advisory services from Crown Capital Partners Inc. ("CCPI"), a private, national investment advisor based in Regina, Saskatchewan, and has retained subadvisors to provide investment advisory services. CCPI is paid a monthly fee for its services. The subadvisors are paid a performance fee based on the performance of the investments managed by each of them. No further payments for performance fees are anticipated based on investment performance to date.

Administration expense for the Fund totalled $43,000 in 2004, compared with a recovery in 2003 of $545,000. The recovery in 2003 resulted from a reduction in accruals for performance fees payable to subadvisors which were settled in 2003.

Results of operations

In 2004, net income of the Fund was $999,000, compared with a loss of $641,000 in 2003. Income in 2004 reflected the gain on settlement of one investment held by the Fund, partially offset by expected losses on the ultimate disposal of another investment.

At December 31, 2004, the Fund had an accumulated deficit of $8.5 million compared with a deficit of $9.5 million at December 31, 2003.

Outlook and risks and uncertainties

The priority of the Fund is the liquidation of its remaining investments and use of the proceeds to reduce the liabilities of the Fund.

The investment allocation of the Fund which is prescribed by the IIP and Offering Memorandum significantly influences the returns available to the Fund. Investments in SMEs, which must represent a minimum of 70% of the Fund's investments, provide an opportunity for higher returns, but also carry a higher risk of losses than other investment types, and a greater challenge to achieving liquidity at the precise time that Bonds mature.

The significant risks and uncertainties which affect the Fund relate to market risk, credit risk, interest rate risk, and liquidity risk. These risk factors are described in note 8 to the financial statements. The Fund manages these risks to the extent possible; however the factors may affect the ability of the Fund to repay its Bonds at maturity. The Fund has no sources of financing the repayment of its Bonds other than the proceeds received on liquidation of its investments.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

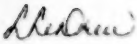
The President and fund manager of the Saskatchewan Government Growth Fund II Ltd. are responsible for management of the Fund. The accompanying financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, and necessarily include amounts which are based on informed judgement and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

Management's responsibility includes ensuring the integrity and objectivity of financial information. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all transactions are authorized, financial records are complete and accurate, and assets are safeguarded against loss.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board has established an Audit Committee to review the Fund's accounting policies and financial statements prior to their presentation to the Board for approval. The Audit Committee also reviews the internal controls of the Fund, and meets regularly with the auditors. The Board has reviewed and approved these financial statements.

Deloitte & Touche LLP, the Fund's independent auditors, have examined the financial statements of the Fund. Their responsibility is to conduct an independent and objective audit and to report on the fairness of presentation of the Fund's financial position, results of operations and cash flows as shown in the financial statements. The Auditors' Report outlines the scope of their examination and their opinion.

Alan M. Rowe, C.A.
President



Lori K. Le Drew, C.M.A.
Controller, Crown Capital Partners Inc.

February 23, 2005

AUDITORS' REPORT

To the Shareholder of Saskatchewan Government Growth Fund II Ltd.:

We have audited the statement of financial position of Saskatchewan Government Growth Fund II Ltd. as at December 31, 2004, and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Saskatchewan
February 9, 2005

Saskatchewan Government Growth Fund II Ltd.
Statement of Financial Position

December 31	2004	2003
Assets		
Cash	**$ 21,842**	$ 17,923
Accounts receivable and accrued income	**771,895**	-
Other investments (Note 4)	**2,032,797**	1,444,431
	$ 2,826,534	$ 1,462,354
Liabilities and Shareholder's Deficiency		
Accounts payable and accrued liabilities	**$ 181,859**	$ 160,794
Notes payable (Note 5)	**1,182,972**	1,035,000
Commissions payable	**24,500**	24,500
Accrued interest payable to investors	**967,552**	771,333
Obligations to investors (Note 6)	**8,950,000**	8,950,000
	11,306,883	10,941,627
Share capital (Note 7)	**1,000**	1,000
Deficit	**(8,481,349)**	(9,480,273)
	(8,480,349)	(9,479,273)
	$ 2,826,534	$ 1,462,354

See accompanying notes to the financial statements.

On behalf of the Board:

Roland Hardy
Director

Lloyd Boutilier
Director

Saskatchewan Government Growth Fund II Ltd.
Statement of Operations and Deficit

Year ended December 31	2004	2003
Revenues		
Income from cash and publicly-traded and short-term investments	**$ 724**	$ 21,389
Income from other investments	**129,184**	-
Other income	**642,711**	-
	772,619	21,389
Gains realized on disposal of other investments	**1,053,440**	-
Losses realized on disposal of other investments	**(12,317)**	-
Decrease in fair value of investments	**(465,074)**	
Provision for investment losses		(911,123)
	576,049	(911,123)
Net revenue	**1,348,668**	(889,734)
Expenses		
Administration (Note 9)	**42,723**	(544,934)
Interest on obligations to investors	**196,219**	192,336
Interest on note payable	**110,802**	103,500
	349,744	(249,098)
Income (loss) for the year	**998,924**	(640,636)
Deficit, beginning of year	**(9,480,273)**	(8,839,637)
Deficit, end of year	**$(8,481,349)**	$(9,480,273)

See accompanying notes to the financial statements.

Saskatchewan Government Growth Fund II Ltd.
Statement of Cash Flows

Year ended December 31	2004	2003
Cash flows from operating activities		
Income (loss) for the year	**$ 998,924**	$ (640,636)
Items not affecting cash:		
Decrease in fair value of investments	**465,074**	
Provision for investment losses		911,123
Net gains realized on disposal of other investments	**(1,041,123)**	-
Net change in non-cash balances related to operations (Note 10)	**(554,611)**	(811,253)
Cash flows from operating activities	**(131,736)**	(540,766)
Cash flows from investing activities		
Disbursements on investments	**(12,317)**	(183,109)
Repayments of investments	**-**	2,000
Cash flows from investing activities	**(12,317)**	(181,109)
Cash flows from financing activities		
Proceeds from note payable	**147,972**	-
Cash flows from financing activities	**147,972**	-
Net increase (decrease) in cash	**3,919**	(721,875)
Cash, beginning of year	**17,923**	739,798
Cash, end of year	**$ 21,842**	$ 17,923
Interest paid during the year	**$ -**	$ 103,500

See accompanying notes to the financial statements.

Saskatchewan Government Growth Fund II Ltd.
Notes to Financial Statements
December 31, 2004

1. Status of the Corporation

Saskatchewan Government Growth Fund II Ltd. ("SGGF II" or the "Fund") was incorporated in March 1993 under *The Business Corporations Act* (Saskatchewan) and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, the Fund was established to raise $35,000,000 through a bond offering. Each bond is a 2% unsecured, subordinated bond with a principal amount of $250,000 ("Bonds"). The marketing period for the Fund closed on May 28, 1995.

The Confidential Offering Memorandum ("Memorandum") and the IIP prescribe various conditions which qualify an investment as an eligible business, including a requirement that the business be Saskatchewan based and have assets, including assets of associated companies, of less than $35 million.

The Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of the Fund or of a return of an investor's original investment. Neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the Bonds.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, adjustments are reported in the Statement of Operations and Deficit in the period in which they become known. The primary measurement uncertainty which may affect the reported amounts relates to the determination of fair values of other investments as described below.

Other investments

Other investments include debt and equity investments in private companies. Other investments are carried at fair value. Income from debt investments ("loans") is recognized as earned except if the investment is impaired. A loan is considered to be impaired if, as a result of deterioration in credit quality, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Any loan on which contractual payments are in arrears for 90 days or more is usually assumed to be impaired. Other factors that are considered in determining whether a loan is impaired are the overall credit quality of the borrower and the fair value of the underlying security. When a loan becomes impaired, recognition of interest income ceases. Income from equity investments is recognized when

Saskatchewan Government Growth Fund II Ltd.
Notes to Financial Statements (continued)
December 31, 2004

received. The change in fair value of other investments during the year is included in the Statement of Operations and Deficit.

Fair values for other debt investments are determined by calculating the present value of the remaining payments under the loans. The discount rate used is based on the expected return at the date of the financial statements for a loan to an investee with similar risk characteristics. The discount rate is comprised of a base risk-free rate based on a Government of Canada bond with equivalent duration, a credit risk premium based on publicly-traded debt with a BBB credit rating, and an additional credit risk and liquidity premium based on the circumstances of the specific investee.

Fair values for other equity investments are determined by management on the basis of the expected realizable value of the investments as at the date of the financial statements if they were disposed of in an orderly manner over a reasonable period of time, discounted at a discount rate which is appropriate at the date of the financial statements to investments in similar companies. There is no active secondary market for many investments which are not publicly-traded, and there is considerable uncertainty and a potentially broad range of outcomes with respect to the future cash flows from these investments. Valuations of such investments are subject to a number of assumptions and uncertainties that may cause actual values realized on disposal to differ materially from the fair value estimated at any particular time.

Generally accepted accounting principles limit the situations where investee companies over which an entity has significant influence are not consolidated. The Fund intends to dispose of its investments in due course; therefore, other investments are not consolidated.

Prior to January 1, 2004, other debt investments were carried at cost net of provisions for investment losses, and other equity investments were carried at the lower of cost and, where a loss in value that is other than temporary has occurred, net realizable value. A provision for investment losses was established for impaired loans to reduce their value to the estimated fair value of the security underlying the loan. If the credit quality of the loan subsequently improved, a provision was reduced or reversed.

Other equity investments that were evaluated as possibly being subject to a loss in value were assessed periodically based on appropriate criteria, including past operating results of the investee, financial outlook of the investee, recent capital transactions, and their associated value, between the investee and arm's length parties, and liquidity or going concern problems of the investee. When a decline in the value of an equity investment was no longer considered to be temporary, the investment was written down through a provision and was carried at the written down value until disposal of the equity investment.

Saskatchewan Government Growth Fund II Ltd.
Notes to Financial Statements (continued)
December 31, 2004

Commissions payable

According to the terms of marketing agreements entered into by the Fund, a commission is payable to the independent marketing agent selling the Bonds upon issuance of the investor's immigrant visa.

Obligations to investors

Obligations to investors represent the Bonds issued to investors of the Fund. The Bonds help to satisfy a portion of investors' visa requirements under the IIP. Interest to the maturity date of Bonds is accrued at an annual rate of 2% from the date of Bond issuance. Interest is paid annually on December 31 and at maturity provided that sufficient funds exist; thereafter, interest is accrued on any remaining balance outstanding.

3. Change in accounting policy

Effective January 1, 2004, the Fund prospectively adopted "Accounting Guideline 18 – Investment Companies" (AcG-18) of the Canadian Institute of Chartered Accountants. This guideline requires that for qualifying entities, investments held are to be measured and reported at their fair value as described in note 2. Previously, investments were carried at cost subject to certain adjustments as described in note 2. The change was implemented on a prospective basis, and the change in fair value recorded on the Statement of Operations and Deficit for the year ended December 31, 2004 represents the difference between the fair value of investments held at December 31, 2004 and either the carrying value, after provisions, of the investment at December 31, 2003 or, in the case of investments acquired in 2004, the cost of the investment.

Gains and losses realized on disposal of investments and the change in fair value of investments in 2004 include $1.5 million representing the excess as at January 1, 2004 of the fair value of investments over the carrying value on the previous basis of accounting.

4. Other investments

	2004	2003
Debt instruments	**$ 2,618,487**	$ 565,047
Equity instruments	**-**	2,915,847
	2,618,487	3,480,894
Adjustment to fair value	**(585,690)**	
Provision for investment losses		(2,036,463)
Carrying value	**$ 2,032,797**	$ 1,444,431
Fair value	**$ 2,032,797**	$ 2,910,000

Saskatchewan Government Growth Fund II Ltd.
Notes to Financial Statements (continued)
December 31, 2004

Included in debt instruments is $565,047 (2003 - $2,480,894) of impaired investments. In 2004, the carrying value of those investments is adjusted to fair value. In 2003, an accumulated provision for investment losses of $2,036,463 was recorded with respect to these investments. Income is not accrued on impaired investments.

During the year, investments increased as follows:

	2004	2003
Balance, beginning of year	**$ 1,444,431**	$ 2,174,445
New investments	**2,065,757**	183,110
Book value of divestments	**(1,000,000)**	(2,000)
Investments and costs written off	**(12,317)**	(191,546)
Net change in fair value	**(465,074)**	
Net change in provision for investment losses		(719,578)
Balance, end of year	**$ 2,032,797**	$ 1,444,431

Debt instruments have interest rates ranging from 8.5% to 10% and maturity dates ranging from demand to January 2009.

5. Notes payable

Notes payable consist of:

	2004	2003
Promissory note payable to Saskatchewan Government Growth Fund Ltd., payable on demand, 10% per annum, secured by an investment of the Fund	**$ 1,035,000**	$ 1,035,000
Promissory note payable to Saskatchewan Government Growth Fund Management Corporation, payable on June 30, 2006 or on the liquidation of certain investments, 4% per annum	**147,972**	-
	$ 1,182,972	$ 1,035,000

6. Obligations to investors

Obligations to investors consist of 2.0% unsecured subordinated bonds. The obligation at December 31 is:

	2004	2003
43 Bonds (2003 – 43 Bonds)	**$ 8,950,000**	$ 8,950,000

Saskatchewan Government Growth Fund II Ltd.
Notes to Financial Statements (continued)
December 31, 2004

The obligation is comprised of 31 Bonds with a principal balance of $250,000 and 12 Bonds with a remaining principal balance of $100,000.

Obligations under the Bonds are subordinate to all other liabilities of the Fund and repayment is dependent on the proceeds on liquidation of investments and other available liquidity in excess of other liabilities.

Liquidity problems experienced in the investment portfolio during the year 2000 forced the Fund to reduce repayments on Bonds that matured between September and November 2000, and to suspend repayments on Bonds that matured after November 2000. Interest due on the remaining principal amount of each Bond on which the principal has been partially repaid is accrued.

The Fund has a significant deficit and the proceeds from the remaining investments will be insufficient to repay the remaining principal amounts in full. It is expected that payments of approximately $50,000 per Bond will be made in 2005 and 2006 on the 31 Bonds with a principal balance of $250,000 and that there will be no further resources from which to make payments to holders of Bonds.

7. Share capital

The authorized common share capital of the Fund at December 31 is:

Class A common shares – an unlimited number of voting common shares. Holders of these shares are not entitled to receive dividends.

Class B common shares - an unlimited number of non-voting common shares. Holders of these common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

	2004	2003
1,000 Class A common shares	**$ 1,000**	$ 1,000

8. Risk management

The Fund's primary business is the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This investment activity entails exposure to market risk, credit risk, interest rate risk, and liquidity risk. These risk factors may impact upon the Fund's ability to repay its Bonds at maturity.

Market risk

Market risk is the risk that the fair value of an investment may be affected by the ability of an investee company to profitably distribute its products. Some of the companies in which the Fund invests are dependent upon a single product or industry. The Fund manages this risk

Saskatchewan Government Growth Fund II Ltd.
Notes to Financial Statements (continued)
December 31, 2004

through careful due diligence prior to committing funds to the investment and by diversifying its investments across various industry sectors.

Credit risk

Credit risk is the risk that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that the Fund restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to a similar general economic environment. In addition, changes in commodity prices and foreign currency exchange rates may significantly affect the financial position of some investees. The Fund conducts thorough due diligence prior to committing to an investment and actively monitors the financial health of its investees on an on-going basis.

Interest rate risk

Interest rate risk is the risk that the Fund's earnings will be affected by fluctuations in interest rates. The Fund manages this risk through carefully monitoring and matching the duration of its investments with the duration of its obligations to investors.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in liquidating its investments at the time it is required to repay its Bonds. Due to the nature of some of the Fund's investments, the timing of cash flows from its investments may not exactly match the payments owing under the Fund's Bonds. The Fund carefully monitors the duration of its investments. However, timing differences may require the Fund to reduce or delay the payments owing on Bonds at maturity.

Fair value – obligations to investors

No secondary market for the Bonds exists. Due to the unique features associated with the Bonds, the calculation of a fair value with appropriate reliability is impractical. The risk factors that affect the fair value of investments, as described above, also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value and liquidity of investments at that time.

9. Administration

Under the terms of a management agreement between the Fund and Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of the Fund with the assistance of a manager that performs fund administration and investment management together with several investment subadvisors. SGGF Management Corporation does not guarantee the financial performance of the Fund. All services provided to the Fund are charged on a fee for service basis. The costs billed to the fund by SGGF Management Corporation are as follows:

Saskatchewan Government Growth Fund II Ltd.
Notes to Financial Statements (continued)
December 31, 2004

	2004	2003
Manager's fees	**$ 26,969**	$ 48,112
General administration	**2,158**	3,869
Directors' fees and expenses	**5,713**	9,056
Legal and professional	**7,883**	16,871
	$ 42,723	77,908
Provision for investment subadvisors' performance fees	**-**	(622,842)
	$ 42,723	$ (544,934)

10. Net change in non-cash balances related to operations

	2004	2003
Accounts receivable and accrued income	**$ (771,895)**	$ 1,953
Accounts payable and accrued liabilities	**21,065**	(1,005,542)
Accrued interest payable to investors	**196,219**	192,336
	$ (554,611)	$ (811,253)

11. Income taxes

A provincial Crown corporation, SGGF Management Corporation, owns all of the issued shares of the Fund. Therefore, the Fund is exempt from income taxes.

12. Related party transactions

Included in these financial statements are amounts resulting from transactions with SGGF Management Corporation pursuant to a management agreement referred to in Note 9. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms. Total fees charged to the Fund by SGGF Management Corporation amounted to $42,723 (2003 - $77,908). Total fees payable to SGGF Management Corporation at December 31, 2004, and included in the above, are $47,228 (2003 - $6,004).

As stated in Note 5, the Fund has issued notes payable to Saskatchewan Government Growth Fund Ltd. ("SGGF Ltd."), a wholly-owned subsidiary of SGGF Management Corporation, and to SGGF Management Corporation. Total interest charged by SGGF Ltd. during the year was $109,298 (2003 - $103,500). Total interest payable to SGGF Ltd. at December 31, 2004, and included in the expense for 2004 and 2003, is $118,088 (2003 - $8,790). Total interest charged by SGGF Management Corporation during the year was $1,504 and that amount was payable at December 31, 2004.

FIVE YEAR FINANCIAL SUMMARY

Financial Position (thousands of dollars)

December 31	2004	2003	2002	2001	2000
Assets					
Cash	$ 22	18	740	732	998
Publicly-traded and short-term investments	-	-	-	-	411
Other investments	2,033	1,444	2,174	3,534	6,179
Other assets	772	-	2	32	38
Total assets	$ 2,827	1,462	2,916	4,298	7,626
Liabilities and Deficit					
Obligations to investors	$ 9,918	9,721	9,529	9,340	9,161
Other liabilities	1,389	1,220	2,226	3,899	4,247
Deficit	(8,480)	(9,479)	(8,839)	(8,941)	(5,782)
Total liabilities and deficit	$ 2,827	1,462	2,916	4,298	7,626

Operating Results (thousands of dollars)

Years ended December 31	2004	2003	2002	2001	2000
Revenues					
Investment income	$ 130	-	87	286	1,397
Interest from cash and publicly-traded and short-term investments	-	21	37	38	78
Other income	643	-	-	5	94
	773	21	124	329	1,569
Gain realized on disposal of investments	1,041	-	-	-	-
Adjustment to fair value	(465)				
Provision for losses on investments		(911)	(29)	(2,820)	(5,946)
Net revenue	1,349	(890)	95	(2,491)	(4,377)
Expenses					
Administration	43	(545)	(372)	274	(32)
Financing	307	296	365	394	517
Total expenses	350	(249)	(7)	668	485
Net income (loss)	$ 999	(641)	102	(3,159)	(4,862)

Note: Effective January 1, 2004, the Fund changed its accounting policy on a prospective basis to measure and report investments at their fair value.

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Businessman
Regina, Saskatchewan

Darrel Cunningham
Farmer
Lintlaw, Saskatchewan

Harwood Davies
Businessman
Watrous, Saskatchewan

Gordon Mertler
Businessman
Regina, Saskatchewan

Fund Manager
Saskatchewan Government Growth Fund Management Corporation, which has retained Crown Capital Partners Inc. to provide management services

Crown Capital Partners Inc.
Alan M. Rowe, C.A., Partner responsible for SGGF
Christopher J. Anderson, C.F.A., Partner
Brent Hughes, C.F.A., Partner
Brian A. Johnson, C.F.A., Managing Partner
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